

Exemptions for Repair of Farm Equipment and Machinery

Sales & Use tax notice

Effective July 1, 1998, Tenn. Code Ann. Section 67-6-207 is amended to expand the sales and use tax exemption for “farm equipment and machinery,” as defined in Tenn. Code Ann. Section 67-6-102(8), as follows:

“After July 1, 1998, no tax is due with respect to farm equipment and machinery, replacement parts and labor relative to the repair of such farm equipment and machinery.”

Replacement parts and labor relative to repair must be for an item that qualified as “farm equipment and machinery” when it was originally purchased. There is no retail price threshold for replacement parts and labor relative to repair. Any part that replaces an existing part on exempt “farm equipment and machinery” qualifies for this exemption. Parts which do not actually replace an existing part do not qualify under this amendment. For example, a farmer may add an umbrella canopy to a tractor. This would not qualify as a replacement part. However, an addition may separately qualify for the exemption for “farm equipment and machinery.”

Under TENN. COMP. R. & REGS. 1320-5-1-.54, maintenance labor is treated the same as repair labor, and therefore charges for labor relative to maintenance of “farm equipment and machinery” qualify for this exemption. The sale of oils, greases, other lubricants, hydraulic

fluids, antifreeze, methanol, etc., will continue to be taxable, and should be separately itemized on an invoice. An extended warranty or maintenance agreement sold in conjunction with farm equipment is subject to tax in Tenn. Code Ann. Section 67-6-102(23)(F)(ix).

Tools, machinery and equipment, including welders, used to perform a repair or maintenance do not qualify for this exemption. Welding rods and wire for “mig” welders are exempt under this amendment if sold for the repair of “farm equipment and machinery.”

The department has replaced the affidavit for farmers (RV-1856), with an [exemption certificate for “farm equipment and machinery.”](#) Dealers should retain one completed and signed statement for each purchaser that claims exemption for farm equipment and machinery. Future purchases of “farm equipment and machinery” must reveal the purchaser’s name and address for exemption purposes.

Tennessee law requires dealers to maintain adequate records, including records which support exempt sales of tangible personal property. Tennessee law exempts or provides a reduced tax rate for types of tangible personal property, including certain agricultural supplies and products, when such property is used in a manner specified in the law. Examples of these items are included on the reverse side of this

notice. *When selling these items tax exempt, the dealer should include the purchaser's name and address and have the purchaser sign a statement either on or attached to the invoice that the item is used for the purpose authorized by statute.* The following, which would be evidence supporting the exemption, is suggested language:

Exempt: used for producing farm products, for repair of farm equipment, or exclusively for harvesting timber.

The dealer has the responsibility to collect the taxes if it knows or believes that the purchases do not conform to the requirements for the farm equipment and machinery or other agricultural exemptions under current sales and use tax law.

"Farm equipment and machinery" means any appliance used directly and principally for the purpose of producing agricultural products, including nursery products, for sale and use or consumption off the premises, the retail price of which, for any such single article, exceeds \$250, but does not include an automobile, truck, household appliances or property which becomes real property when erected or installed. Also considered "farm equipment and machinery are: grain bins and attachments thereto which are sold to or used by a farmer; aircraft designed and used for crop dusting; trailers used to transport livestock; self-propelled fertilizer or chemical application equipment used to spread fertilizer or chemicals on farms to aid in the production of food or fiber for human or animal consumption; systems for poultry environment control, feeding and

watering poultry and conveying eggs. The lease or rental of farm equipment and machinery regardless of rental cost, provided that the original cost of the farm equipment and machinery exceeded \$250. Effective July 1, 1998, equipment *exclusively* used for harvesting timber qualifies as "farm equipment and machinery."

The following are also exempt from sales and use tax pursuant to Tenn. Code Ann. Section 67-6-329:

(1) Gasoline or diesel fuel used for agricultural purposes;

(2) Seeds, seedlings, plants grown from seed and liners (cuttings) which will produce food or fiber (including tobacco) for human or animal consumption;

(3) Fertilizer to be used to aid in the growth and development of seeds, seedlings or plants which will produce food or fiber (including tobacco) for human or animal consumption;

(4) Pesticides which are sold for the purpose of aiding in the production of food or fiber (including tobacco) for human or animal consumption. "Pesticide" means any substance or mixture of substances or chemicals intended for defoliating or desiccating plants or for preventing, destroying, repelling or mitigating any insects, rodents, fungi, bacteria or weeds, including, but not limited to, insecticides, fungicides, bactericides, herbicides, desiccants, defoliant, plant regulators and nematocides. In order to qualify as a "pesticide," the substance must be registered and labeled in a

manner consistent with the federal law governing pesticides;

(5) Adjuvants and surfactants solutions sold exclusively for the purpose of mixture with pesticides or for use as a soil conditioner when such is intended to aid in the growth and development of food or fiber (including tobacco) for human or animal consumption;

(6) Containers for farm products and plastic or canvas used in the care and raising of plants, seeds or seedlings, which will produce food or fiber (including tobacco) for human or animal consumption, and plastic or canvas used in covering feed bins, silos and other similar storage structures;

(7) Any of the items described in subsections (2), (3), (4), (5) and (6)

above when sold directly to a nurseryman.

Tenn. Code Ann. Section 67-6-218 provides for a reduced state tax rate of 1.5% for electricity and liquefied gas when sold to or used by farmers and nurserymen directly in the production of food or fiber for human or animal consumption or to aid in the growing of a horticultural product for sale. This reduced rate also applies to the sale of coal, wood, wood products or wood by-products, or fuel oil, used as energy fuel in the production of nursery and greenhouse crops.

Have questions or comments? Please let us know. [Contact us.](#)

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